

WATER AND SEWER FUND

Description of Fund	The Water and Sewer Fund is one of three Enterprise Funds operated by the Village. This Fund accounts for the revenues and expenditures related to the provision of water and sewer services to residents and businesses. All activities necessary to provide such services including administration, operations, maintenance, debt service, and billing and collections are included in this Fund.
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Budget Analysis

The Water and Sewer Fund Budget includes \$427,643 in Available Funds ***Under*** Expenditures in 2003 and \$203,109 in Available Funds Over Expenditures in 2004. Total Available Funds includes all Operating Revenue and any Non-Operating Revenue. Total Available Funds will be under Expenditures in 2003 due to the Wastewater Treatment renovation project. This project is financed through the use of remaining proceeds from the Alternative Revenue Bonds issued in 1999 and a low interest loan from the Illinois Environmental Protection Agency (IEPA). The majority of expenses for the project will be paid in 2003. The funding of that portion of the cost of the project to be covered by the proceeds from the Alternate Revenue Bonds is reflected in the Fund Balance. Therefore, Total Available Funds will be under total expenditures in 2003.

To avoid significant increases in rates in the future, a modest 2% increase in water and sewer rates in both 2003 and 2004 has been provided for in the budget. Although a small increase in rates is proposed, decreases in Available Funds are projected. For 2003, Total Available Funds are projected to decrease from a projected 2002 figure of \$5,141,218 to a budgeted 2003 figure of \$4,946,246. This represents a reduction in Available Funds of \$194,972 (3.8%). In 2004, Available Funds are again projected to decrease by \$587,067 (11.87%), to a total of \$4,359,179. The decrease in 2003 is caused by a projected decrease in Operating Revenue of \$182,222 (4.81%) that includes decreases in Sewer Sales revenues of \$91,135, Water Sales revenues of \$49,557, and Miscellaneous Revenues of \$41,530. These decreases are attributable to an overestimation in the 2002 budget as to the dates of occupancy relative to the Garlands of Barrington Development (a major senior living development that includes 314 independent units, 30 assisted living units and 40 beds within the skilled care unit). In developing the 2002 Budget, it was assumed that a majority of the project would be completed in 2002 and the projection for water and sewer revenues for 2002 included significant revenues from this development. However, no units at the Garlands were occupied until late August, and the total number to be occupied by the end of the year is significantly lower than the Village's earlier projection. Full occupancy is now not anticipated until 2004. As a result, budgeted Operating Revenue has been lowered for 2003 but increased in 2004.

The decrease in Operating Revenue in 2003 is accompanied by a decrease in Non-Operating Revenue of \$12,750 (less than 1%) in 2003. This projected decrease in Non-Operating Revenue is also attributable to the Garlands Project. In 2002 the Village will receive the majority of the revenues for Connection fees applicable to this project. In 2003 connection charges are therefore projected to decrease significantly, resulting in an estimated decrease of \$775,250 in the Charges for Services line items. Investment Income in 2003 is also estimated to decrease by \$37,500 due to lower interest rates. These decreases are largely offset by an increase in Other Financing Sources of \$800,000. This increase is attributable to the receipt of a loan from the Illinois Environmental Protection Agency relative to the improvements to Wastewater Treatment facilities.

Operating Revenue is projected to increase by \$210,433 (5.84%) in 2004 due to increases in Sewer Sales (\$125,183) and Water Sales (\$85,250). These increases are the result of the cumulative effect of the 2% per year raise in Water and Sewer Rates and full occupancy at the Garlands of Barrington. Non-Operating

Revenue in 2004 decreases because no further low interest loan proceeds are projected (*the IEPA Loan received in 2003 was unique to that year*). The Village will not receive any loan money in 2004 and as a result Non-Operating Revenues will decrease.

Expenditures

Expenses are projected to decrease by \$619,887 (10.34%) in 2003 to a total of \$5,373,889 from the 2002 total of \$5,993,776. This decrease is a result of a decline of \$967,500 in expenses for Capital Projects in 2003 (originally the Wastewater Treatment Facility was scheduled to be completed in 2002). There is also a decrease in Street and Highway Capital Expenditures of \$360,000 (due to the completion in 2002 of utility related work being undertaken in connection with the reconstruction of Route 14). In addition, a decrease (\$249,500) in the amount to be spent in 2003 on Water System projects is projected. These decreases are offset to some extent by an increase in the amount to be spent on Sewer and Drainage projects (\$217,000).

The decrease in Capital Expenses in 2003 is offset to some extent by an increase in Operating Expenses of \$110,770 (4.08%), from the 2002 total of \$2,717,913 to the 2003 total of \$2,828,683. This increase is attributable to increases in operating costs within the Public Works area, which include increases in liability insurance costs and contractual service expenditures within the Wastewater Treatment Division relating to equipment maintenance.

The decrease in Capital Expenses is also offset by an increase in Debt Service expenses in 2003 of \$52,843. This increase is attributable to repayment schedules for the additional loans to be received in 2002 and 2003. The Village will begin repaying these additional loans in 2003 and therefore Debt Service Expenses will increase.

In 2004, expenses decrease by \$1,217,819 (22.66%) to a total of \$4,156,070. The decrease in 2004 is due to a decrease in Capital Expenses of \$1,339,000 (68.70%). This decrease is attributable to the completion of the renovations to Wastewater Treatment Facilities in 2003 and a decrease of \$330,000 in Water and Sewer Capital Expenses related to the Street Maintenance Program.

The decrease in Capital Expenses is offset to some extent by an increase in Operating Expenses of \$119,381 (4.22%). This increase is a result of increases in the operating costs of the Administrative Services and Public Works Budgets. In 2004, Debt Service Expenses also increase due to the additional loans received for the completion of the Wastewater Treatment Facility in 2003.

Projected Year-End Working Capital

In 2003 Year-End Working Capital in the Water and Sewer Fund is projected at \$1,730,717. The Year-End Working Capital for 2004 is projected to increase by \$203,109 to a total of \$1,933,826 as the Water and Sewer Fund begins to recover from the large capital expenditures proposed in 2002 and 2003.

**VILLAGE OF BARRINGTON
WATER AND SEWER FUND
REVENUE AND EXPENDITURE SUMMARY**

	FY 2000 <u>Actual</u>	FY 2001 <u>Actual</u>	FY 2002 <u>Amended Budget</u>	FY 2002 <u>Projected Actual</u>	FY 2003 <u>Budget</u>	FY 2004 <u>Budget</u>
<i>Beginning Working Capital⁽¹⁾</i>	2,736,481	1,969,968	1,671,042	1,671,042	2,158,361	1,730,717
Operating Revenue						
Charges for Services						
Sewer Sales	1,619,652	1,738,526	2,142,662	1,860,223	2,051,527	2,176,710
Water Sales	1,341,493	1,397,383	1,558,776	1,495,200	1,509,219	1,594,469
Industrial Surcharge	569	182	1,000	1,000	1,000	1,000
Miscellaneous	46,749	38,704	83,530	27,000	42,000	42,000
Total Operating Revenue	3,008,463	3,174,795	3,785,968	3,383,423	3,603,746	3,814,179
Non-Operating Revenue						
Charges for Services ⁽²⁾	208,360	343,435	1,175,250	750,000	400,000	400,000
Investment Income	28,044	99,374	180,000	110,000	142,500	145,000
Other Financing Sources	1,238,700	1,318,600	0	682,390	800,000	0
Total Non-Operating Revenue	1,475,104	1,761,409	1,355,250	1,542,390	1,342,500	545,000
Total Available Funds	4,483,567	4,936,204	5,141,218	4,925,813	4,946,246	4,359,179
Operating Expenses						
Administrative Services	59,633	87,379	102,939	99,529	94,645	99,724
Public Works	2,143,421	2,150,460	2,430,974	2,339,362	2,734,038	2,848,340
Total Operating Expenses	2,203,054	2,237,839	2,533,913	2,438,891	2,828,683	2,948,064
Capital Expenses						
Street & Highway	0	25,193	360,000	210,000	0	0
Sewer/Drainage Projects	292,633	208,408	285,000	60,000	502,000	172,000
Water System Projects	2,314,459	2,070,003	439,500	442,240	190,000	338,000
Wastewater Facilities	164,605	216,417	1,832,000	744,000	1,257,000	100,000
Public Works Facilities	28,519	0	0	0	0	0
Total Capital Projects	2,800,216	2,520,021	2,916,500	1,456,240	1,949,000	610,000
Debt Service Expenses						
Debt Service	246,810	477,270	543,363	543,363	596,206	598,006
Total Debt Service Expenses	246,810	477,270	543,363	543,363	596,206	598,006
Total Expenses	5,250,080	5,235,130	5,993,776	4,438,494	5,373,889	4,156,070
Available Funds Over / (Under) Expenditures	(766,513)	(298,926)	(852,558)	487,319	(427,643)	203,109
<i>Year-End Working Capital</i>	1,969,968	1,671,042	818,484	2,158,361	1,730,717	1,933,826

(1) Working Capital is defined as current assets less current liabilities; long term liabilities and assets are not included in this calculation.

(2) This consists of connection fees which are classified as a non-operating revenue.